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Oklahoma Policy Institute

2018 POLICY PRIORITY: RESTORE THE INCOME TAX ON HIGH INCOMES

Background

Since the mid-1990s, Oklahoma's top income tax rate has been reduced from 7 percent to 5 percent. The most recent top rate cut took effect in 2016 in the midst of major revenue failures and budget shortfalls. In 2018, the Legislature repealed a law that would have triggered another cut in 2019.

Income tax cuts have been a major cause of the state's chronic budget shortfalls and our inability to fund schools, health care, and other critical needs, even in years when the state economy was thriving. The cost of cuts to the top rate since the mid-2000s has grown to more than \$1 billion annually.

The income tax is the only major progressive component of our state and local tax system, serving to partly offset the regressivity of sales and excise taxes. Cuts to the top income tax rate have made the state's taxes much more regressive. Over 70 percent of the benefit from cutting the top rate has gone to households in the top fifth in annual income. Two out of five households received no benefit at all, as none of their income was taxed at the top rate.



The Solution

To put the budget on a more sustainable course and ensure fair state taxes, lawmakers should restore the top income tax rate on upper-income households to prior levels. One option would be to create a 6 percent tax bracket on taxable income over \$200,000 for a married couple (\$100,000 for a single individual) and 7 percent on taxable income over \$400,000 for a couple (\$200,000 for singles). This would affect only the wealthiest 3 percent of households.

What You Can Do

Contact your state Representative and Senator and urge them to support a high-income tax surcharge that would allow for more adequate funding of state services and restore greater balance to our state tax system.

You can look up your Senator and Representative at <http://okpolicy.org/find-your-legislator/>, call the House switchboard at 405-521-2711, and call the Senate switchboard at 405-524-0126.

To join the grassroots coalition of Oklahomans working to connect Oklahoma values with better budget and tax priorities, visit www.togetherok.org. To receive SMS advocacy alerts on important budget and tax issues, text OKBUDGET to 51555.